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DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

DPD-3574-59

27 May 1959

#488

REPLY TO:

Auditor General
Comptroller, USAF
Eastern District
Liaison Office
P.O. Box 8155, S.W. Station
Washington, D. C.

SUBJECT : Advisory Report on Review of Proposed Pricing Formula
Period: 1 February 1959 to 30 June 1959
Hycon Mfg. Company
Pasadena, California
Contract No. HF-CT-696

TO : Contracting Officer

REFERENCE : DPD-2597 dated 17 April 1959

1. An examination has been made of the contractor's records to determine the reasonableness of the proposed rates under the subject contract for the period 1 February 1959 to 30 June 1959. No recommendations are included which relate to the 10% profit factor, which is subject to approval by the Contracting Officer.

2. The results of the examination are as follows:

(a) Hourly direct Labor Rates. The proposed direct labor rates are reasonable and are recommended for acceptance.

(b) Burden. The proposed 155% M&O burden rate is recommended for acceptance based on tests. The contractor's proposed 170% Shop Burden rate is recommended for acceptance, based on an experienced rate of 196% for the three months period ended 30 April 1959.

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(c) General and Administrative Expenses. The contractor's book rate for the three months period ended 30 April 1959 is 15.6%. Based on the experienced disallowances and upon information obtained from Navy Audit, the auditor recommends a rate of $14\frac{1}{2}\%$ for acceptance.

(d) Burden on Material and Purchased Parts, Outside Processing, and Subcontracts. The auditor recommends a 14% material handling rate, based on a book rate of 14.1% for the three months ended 30 April 1959, in addition to information obtained from the resident Navy Audit Office relative to workload and backlog.

(e) Hourly Rates - Leadman. The proposed .25¢ per hour increase for leadmen conforms with the latest agreement between the contractor and its union.



Audit Liaison Officer
Eastern District
Auditor General

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